



CITY MANAGER'S BUDGET MESSAGE

Honorable Mayor and Members of the City Council,

As Burbank's City Manager, one of my primary responsibilities is to prepare and submit to the City Council an annual operating budget for the City. On behalf of the City staff, it is with pleasure that I transmit to you and to the residents of the City of Burbank the Fiscal Year (FY) 2007-2008 adopted City budget. The citywide budget totals \$717.6 million and includes the budgets of all city funds, departments and programs. The General Fund budget totals approximately \$139.6 million. The budgets for all funds are balanced using a combination of ongoing revenues and available reserves.

This year's budget is reflective of community needs as identified by the City Council and City staff during the budget review process which included several budget study sessions in addition to the annual budget public hearing. The FY 2007-08 Budget will continue to fund public safety, transportation, library, parks and open space, development services and capital projects, as well as many other municipal services.

The adoption of the Budget sets the initial appropriations for the new fiscal year. The following chart illustrates the source of funds and appropriations for each fund or fund type for the FY 2007-08 Budget:

	ADOPTED RESOURCES	ADOPTED APPROPRIATIONS
General Fund	\$139,548,684	\$ 139,548,684
Special Revenue Funds (incl. Cap. Projects Fund)	22,159,025	19,941,797
Internal Services Funds	32,283,855	30,526,283
Water Reclamation & Sewer	20,889,027	20,889,027
Golf Fund	2,152,506	1,923,262
Water and Electric (BWP)	414,478,103	414,478,103
Refuse Collection and Disposal	14,687,228	14,687,228
Redevelopment Agency	65,921,475	59,548,486
Public Financing Authority	6,478,864	6,478,864
Housing Authority	8,664,879	8,664,879
Parking Authority	883,165	883,165
TOTAL ALL FUNDS	\$728,146,811	\$717,569,778

BUDGET HIGHLIGHTS

This is the first year in the past five years that general fund departments were not requested to prepare discretionary reductions. Increased costs in labor, materials, supplies and services made developing a balanced budget a challenging prospect; however, programs and services were maintained or improved from the previous year.

The following highlights some of the more significant budget enhancements and initiatives:

General Fund Expenditure Highlights

- Two previously “frozen” Police Officer positions were restored (\$216,324)
- Three previously “frozen” Firefighter Positions were restored (6 mos. \$165,168)
- A top to bottom review of Police Department is funded at \$150,000
- Park Restroom Maintenance was increased by \$100,000
- A total of \$60,000 was budgeted to incorporate an Air Quality Element to the City ‘s General Plan
- A Historic Property Survey was funded at \$50,000
- Funds totaling \$300,000 were set aside for citywide sustainability programs
- A total of \$250,000 was approved to review traffic congestion at major intersections
- An additional \$100,000 was designated to the PerformArts Endowment
- An additional \$25,000 was included for City Council Communications Programs/Enhancements
- Increased funds of \$100,000 was included for Parking Enforcement Tools
- An Education "Ambassador" for new city ordinances was approved for \$59,004

Fee Highlights

- The Sewer Fund continues its rate smoothing plan that was outlined last fiscal year. This will be the second year of that plan. The Sewer Fund required a rate increase due to increased costs of wastewater treatment and permits. The Council approved a five-year rate smoothing plan as follows:
 - Sewer Fund: 6% (FY07), 6% (FY08), 6% (FY09), 5% (FY10), 5% (FY11)
- In order for the Refuse Fund to maintain sufficient revenue to cover increased expenses, a new rate smoothing plan was established this year as follows:
 - Refuse Fund: 8% (FY08), 8% (FY09), 8% (FY10), 8% (FY11), 8% (FY12)This fund required a rate increase due to increased costs related to fuel, vehicle operating costs, and labor.
- For both Sewer and Refuse, the rate increases were “smoothed” out so as to minimize the impact on rate payers.

- An Electric rate increase of 2.5%, effective Jan. 1, 2008, was approved to offset the significant increase in the cost of natural gas purchased by the utility.
- This was the sixth year of a 4.8% annual rate increase to the Water Fund required to offset costs related to replenishing stored groundwater credits.

The General Fund recurring budget was balanced by revenue that is projected to be received in FY 2007-08, while the non-recurring budget is funded by a combination of recurring and non-recurring reserves. The General Fund also has two unrestricted reserves that can be used if necessary (these are in addition to the City's prescribed emergency reserves): the Budget Stabilization Fund and the Released Pension Obligation Bond Interest Reserve Fund. Between the two, there is currently \$1.5 million available for "rainy day" purposes and/or for any unanticipated budget shortfalls.

BUDGET FORECAST

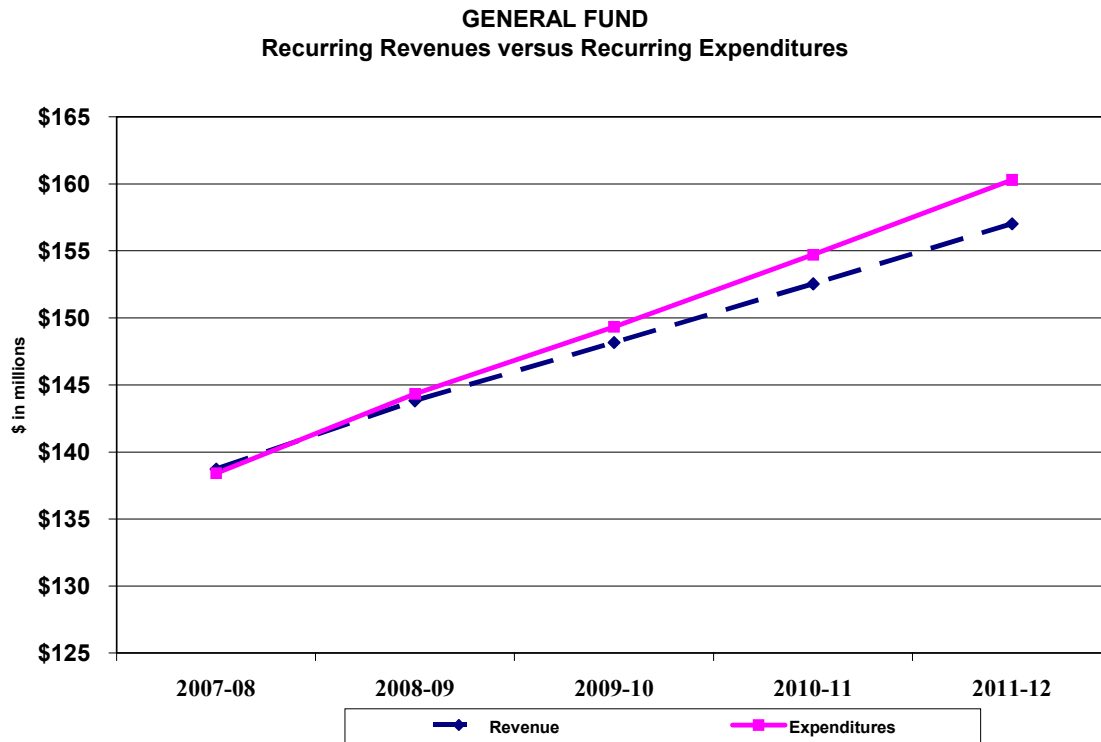
The City's General Fund forecast has improved over the past several years. Strong revenue growth, in addition to discretionary budget reductions over the past four years, have helped improve the balance between recurring revenues and recurring expenditures. While the FY 2007-08 General Fund budget is balanced, the economy remains somewhat volatile. I must once again caution that, if left unchecked, within the next several years, annual costs may exceed annual revenue. Over the next five years, revenues are expected to increase an average of 3.9 percent annually while costs will increase an average of 4.4 percent. Staff projects the gap between revenues and expenditures to grow to approximately \$3.3 million by FY 2011-12.

This forecast builds in new revenue expected from planned developments. For example, this will be the first year that the City will receive a full year's worth of sales tax produced by the new Home Depot and CarMax. A new Marriott Residence Inn in the downtown area is anticipated to boost Transient Occupancy Tax revenues. The forecast also attempts to recognize any legislation that may have an impact on general fund revenues. For instance, effective January 2008, jet fuel will now become taxable at wing-tip (location where fuel is pumped), thus providing the City with additional sales tax revenue.

On the expenditure side, the forecast estimates the growing costs of negotiated salary and benefits increases. Since labor costs represent approximately 77% of the City's General Fund budget, these costs remain the primary driver of the overall forecast. Please note that negotiations are currently underway with the Burbank Police Officers

Association and the final agreement will affect future costs. The forecast will be amended as needed during the year.

The following chart illustrates the current close relationship between revenue and expenditures for the foreseeable future.



STAFFING

In addition to the five safety positions that were restored (2 Police Officers and 3 Firefighters), just over \$767,000 of new positions and upgrades are included in the adopted General Fund budget. Many of these positions are offset by cost reductions or increased revenue. Some of the new positions included are a Plan Check Engineer, a Grants & Revenue Manager, a Police Crime Analyst and a Traffic Signal Technician.

As a result, the total amount of full-time equivalent (FTE) personnel has increased from the prior year (1,418.801 FTE in FY 06-07 versus 1,433.562 FTE in FY 07-08).

INFRASTRUCTURE INVESTMENT PLAN

As part of last year's budget process, Council requested that staff update the infrastructure deficit report. A report was provided and in response to that, Council formed a subcommittee to analyze and prioritize the City's aging infrastructure. The

Infrastructure Subcommittee began meeting in August 2006, with subsequent meetings held about every month thereafter. The committee completed a comprehensive needs assessment of all existing City infrastructure, identified future capital projects, identified available and potential funding sources for specific infrastructure, and developed short-term and long-term timeframes for completion of infrastructure projects.

An overview of the developed infrastructure plan along with funding recommendations was provided to the entire Council as part of the budget study sessions. In addition to those projects that were already identified in the proposed capital improvement plan, the Council agreed to fund some additional infrastructure projects for FY 2007-08. This included appropriations for bridge maintenance repair, supplemental sidewalk funding, traffic equipment maintenance, park improvements and street, alley and concrete improvements. Investment in the City's infrastructure will continue to be a high priority.

CITY COUNCIL GOAL SETTING – STRATEGIC PLANNING

On May 5, 2007, the City Council conducted its annual goal setting session to prioritize their top community issues for the upcoming year. The following lists some of the high level issues identified by the Council for the upcoming year.

- Land Use and Development
- Traffic Congestion
- City Beautification
- Sustainability
- Infrastructure
- Transportation
- City Management
- Community Building
- Youth
- Airport
- Economy
- Safety and Security

Further, as part of the budget process, the Council held a discussion of their combined goals in conjunction with budget considerations. As a result, the City Council has appropriated funds for these issues and staff will be working over the next year to take the appropriate actions to address each of these issues. These combined Council goals help drive the City's annual Work Program which is published as a separate document each fiscal year. The FY 2007-08 Work Program includes over 350 goals and objectives, including several capital improvement projects.

In keeping with the practice of recent years, the adopted FY 2007-08 Budget closely links the operating and capital expenditure plans with the priorities established by the City Council.

CONCLUSION

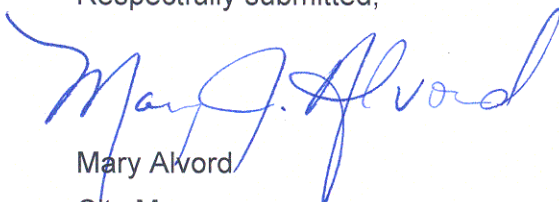
I am proud to state that the FY 2007-08 budget is balanced with projected revenues and resources to support all projected expenditures. As with previous year's budgets, the FY 2007-08 budget will serve as a "blueprint" for providing City services, a working financial plan, and a communications instrument for all those who examine and review the document.

Famous American author and physician Oliver Wendell Holmes once wrote that ***"The great thing in the world is not so much where we stand, as in what direction we are moving."*** The City of Burbank continues to improve and enhance the programs and services it provides to the community. This budget is evidence of that progress. With the continued funding and development of municipal facilities such as the new Community Services Building, the restoration of safety personnel, and the significant investment in infrastructure, just to highlight a few items, the City is certainly moving forward in a positive direction with a vision for the future. This vision, along with devoted and enthusiastic employees who provide the highest levels of municipal service, continues to make Burbank an enviable location in the southern California area.

I would like to express my sincere appreciation to all Department Managers and staff who worked on the successful completion of this year's budget. Preparation of the budget always draws heavily on City staff throughout the organization. This document represents an extraordinary effort by staff and others to develop a budget that strives to meet the needs of the City Council and community. I would also like to thank the City Council for their continued leadership as policymakers throughout this year's budget process.

As always, staff will continue to be diligent in its review of City finances in order to assist the Council in making decisions that will ensure the fiscal viability of the City. In the meantime, I look forward to working with you on implementing all the goals set forth in this budget.

Respectfully submitted,



Mary Alvord
City Manager